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Retail Food Sector

Report

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Report Highlights:
Modern distribution channels continue to develop in Morocco and are changing buying habits of Moroccan consumers especially in major cities. This trend is likely to continue, especially through the opening of smaller convenience stores. Importers continue to play a major role in introducing, distributing and promoting imported products in Morocco including in large supermarket chains.

Includes PSD Changes: No
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SECTION 1. MARKET SUMMARY

The Moroccan retail food sector developed significantly over the past ten years, as modern and large supermarkets opened in major cities and have been increasingly changing the purchasing habits of a large base of urban consumers throughout Morocco. That said, traditional small grocery stores, because of their proximity and convenience, will continue to play a major role in most parts of the large cities, but especially in rural areas and small cities where 45 percent of Moroccans live.

The early advent of large supermarkets to Casablanca, Rabat, and Marrakech reflects the concentration of high-income population in these cities. Currently, large supermarkets have opened in virtually all-major cities (including Agadir, Tangiers, Fes, Meknes, Mohamedia) and more are being opened in even smaller cities (such as Beni Mellal and Tetouan) providing alternatives to traditional buying habits of relatively lower income groups.

Casablanca has an estimated population of 4.0 million and is considered as the economic capital of Morocco with the largest concentration of high-income consumers. Rabat, at about 1 hour north of Casablanca, has about 1 million people with a large number of high-ranking government employees, foreign missions, and international organizations that can be targeted with modern distribution chains. Marrakech is by far the leading destination for tourists and has been growing at a remarkably fast rate because many high-income Moroccans and Europeans consider it as the choice destination for holidays.

European multinationals (mostly French, but also Dutch wholesale distributions) have invested heavily in the Moroccan modern distribution chain. They brought know-how in supermarket management that Moroccan investors lack. They are increasingly consolidating purchases (food and non-food) in centralized purchasing departments in Europe. This will likely present a challenge to U.S. origin products especially if they continue to increase imports under their private label.

In the medium term, importers will continue to play a major role in distributing and promoting imported products in Morocco. Typically, they have their own sales agents and distribution fleet and are in direct contact with large supermarkets, wholesalers, and in many cases with large grocery stores as well. Some importers are involved in imports of a wide range of products with no particular loyalty to a specific product, brand or origin. Other importers are working exclusively to develop markets for specific labels. As these importers tend to promote their products more heavily, they may require more involvement from the exporter.

Major Categories of supermarkets

For imported products, the Moroccan food distribution sector can be divided into four major categories:

- Large modern retail and wholesale supermarkets chains.
- Small supermarkets, convenience supermarkets, large self-service grocery stores.
- Mom & Pop stores.

Imported products usually don't reach the open-air markets that exist mostly in rural areas where the lower income segment of the population lives.

Trend in distribution channels

Although small mom & pop shops will continue to play a major role in the food distribution in the medium term, the number of supermarkets is likely to continue to grow in the cities because of:

- A growing large base of western-minded consumers, especially in urban areas.
- A growing middle class where both parents are working and less time is available for shopping for food.
- The aggressive promotion, the appealing prices and discounts, and the wide range of products offered by large supermarkets are likely to enlarge the consumer base by attracting even lower-income consumers.
- The increasing acceptance by the Moroccan consumer of processed and packaged products. Many products traditionally sold in bulk are now readily purchased in packages. Also, many consumers are more willing to buy from supermarkets because of the generally guaranteed hygiene and quality.

Trend in services offered by retailers

Large supermarkets in Morocco tend to be located in small malls that include a large number of European and U.S. franchises for fast food, textiles, shoes, quick car repairs, banks, and car services. The number of adjacent shops varies from 10 to 25 and is meant primarily to attract a large number of visitors. Large supermarkets that opened recently allocate a relatively large space for ready-to-eat food, which is rather unusual in Moroccan supermarkets.

In many cities, the lack of adequate entertainment and amusement sites draws many Moroccan families to visit supermarkets to roam around where they often end-up buying or at least are exposed to new products.

In spite of the dramatic increase in use of Internet by the Moroccan communities, Internet sales of food products are virtually non-existent in Morocco. Currently, there are virtually no offers made on a regular basis by food companies and payments procedure via Internet are not yet well developed. Today there are an estimated 4 million Internet users in Morocco of which only some 226,000 are subscribed to an internet provider. The remaining users have access to internet typically in Cyber Café.

Number and Type of Retail Outlets in Morocco

Type of Store	Estimated Number	Identified Supermarket Locations
Large Supermarkets (Including Independent) 12-32 registers, over 500 parking spots, Over 40,000 ft^2	22	Casablanca-4, Rabat-4, Marrakech-3, Agadir-2, Fes-2, Tanger-1, Mohamedia 1, Tetouan-1, Kenitra-2, Tetouan-1, Tanger-1
Small Supermarket & Convenience Stores:		
1. Small Supermarket & Convenience Stores (> 3 registers, >12,000 ft^2)	46	Casablanca-18, Rabat-7, Agadir-4, etc.
2. Small Self-Service Grocery Stores (2 registers, > 1000 ft^2)	180	Casablanca-70, Marrakech-15, Rabat-10, Agadir-7, Meknes-6, etc.

Mom & Pop Stores 1. 1000 ft^2 2. 226 – 1000 ft^2 3. Less than 226 ft^2	500 4,500 40,000	Estimated 13,000 in Casablanca
Small convenience Gas-Marts	20	Marrakech, Casablanca, Agadir, Rabat and highways.

Source: Importers, Agricultural Affaires Office, Rabat

Advantages and Challenges of the Moroccan Market

Advantages	**Challenges**
31 million Moroccans 10 percent can repeatedly afford to buy imported products.	45 percent in rural areas. Limited purchasing power in small cities and rural areas.
Morocco and the U.S. signed a free trade agreement that provides preferential access to many U.S. food products, especially on the medium and long term.	Currently, high duties on imported products.
Western-minded youth. Developing middle class. More women working outside the home.	Promotional activities very difficult in traditional outlets.
Most importers are in Casablanca.	Relatively small volume involved even in large supermarkets.
There are very progressive and marketing oriented importers.	Modern independent supermarkets require an entry fee for each new product.
Fast growth of modern distribution channels. More supermarkets are expected to open in the near future.	Proximity of Europe to Morocco: - Imports of small quantities are economically feasible. - EU is a traditional supplier. - EU suppliers are more aggressive in this market.
Growing perception that supermarkets offer safer and cheaper products. Increased acceptance of packaged products.	Multinational chains procure some food products through their home office and in many cases under a private label.

SECTION II. ROAD MAP FOR MARKET ENTRY

A1. Large Retail and Wholesale Supermarkets

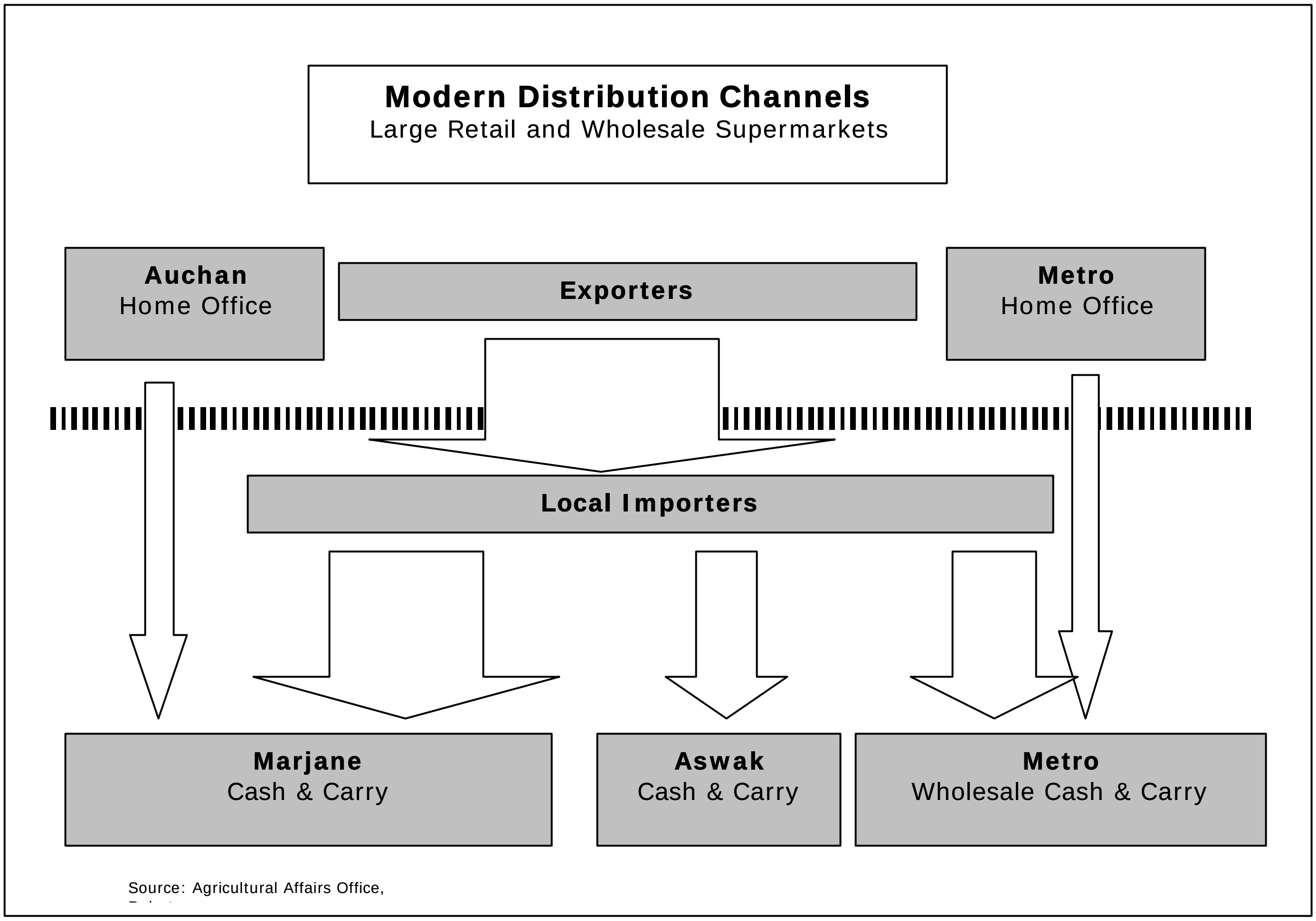
Included in this category are stores of a minimum of 40,000 ft^2 (up to 75,000 ft^2), having between 12 and 34 registers, and over 250 employees. The supermarket ground usually has many private shops including pharmacists, fast-food chains, amusement centers, and in most cases gas stations. These stores have large parking lots that can fit up to 1,000 cars. Typically, these supermarkets are at not in walking distance, which is likely to restrain the consumer base to medium-high class consumers. These supermarkets offer both food and non-food items. The number of different food items is often over 12,000 and is believed to generally account for 40-50 percent of the total sales.

Entry Strategy

The best way to introduce new products to these supermarkets is to go through local importers because:

- Many have long experience and direct relations with supermarkets. Thus, they are in much better position to negotiate space and promotional events.
- They have their own distribution fleet and are able to deliver in relatively small volumes.
- They carry out promotional activities regularly in these stores.
- They supply smaller supermarkets as well.
- Supermarkets might only work with well-established importers and might import directly only through their buying boards in Europe (Marjane and Makro). Also, the entry fee to the supermarket for a new exporter may be prohibitive.

Market Structure



Local importers still account for a large share of imported food purchases of the large supermarkets in Morocco. Purchases by these supermarkets are normally concentrated in their headquarters in Casablanca. With the exception of the *Aswak Essalam* Supermarket chain, the other supermarket chains import also directly and through their home offices in Europe. Also, often they import under their private labels or under the home offices private label (Auchan). Recently, to have a better control on the supply side, the largest retail supermarket chain has also set up a distribution platform in Morocco that all importers deliver to.

Supermarkets in this category are aggressive in promoting their products. They publish monthly brochures and occasional flyers where the importers promote their products. Also, these supermarkets, especially *Marjane*, advertise regularly on the radio for available sales and discounts to attract customers. The *Marjane* chain has been very aggressive in promotion over the past few years, as they have been organizing heavy radio advertising campaigns that claim cheaper prices, quality products and services after sale for the non-food products. They have also been promoting the winner *"FAIZ"* card that provides interest-free delayed payments to consumers.

Company Profiles

Retailer Name	Ownership	Estim. Sales ($Mil.)	Total Nb of Outlets (Nb opened past 2 years)	Locations Nb of stores	Purchasing Agent type
Marjane	51 % Auchan (French Multinational) 49 % Moroccan.	50-100	12 (4)	Casablanca-3, Rabat-2, Marrakech-1, Agadir-1, Tanger-1, Fes-1, Mohamedia-1, Meknes-1 Tetouan-1.	Buys from limited number of local importers / distributors. Increasingly through *Auchan* buying office abroad (including private label). (Same buying platform as for small convenience stores chain, ACIMA)
Metro (formerly Makro) wholesale Cash and Carry	Dutch (Metro)	50-100	6 (1)	Casablanca-2, Rabat-1, Fes-1, Agadir-1 Marrakech-1	Buys from local importers / distributors. Occasionally imports directly through headquarter in Europe and/or under own private labels.
Aswak Assalam (Recently partner of Casino Supermarkets)	100% Moroccan. Over 15 registers. No alcoholic beverages sold.	30-50	3 (1)	Rabat-1, Marrakech-1, Kenitra-1	Buys from local importers / distributors.

Source: Agricultural Affairs Office

The retail independent store *Marjane* first opened in Morocco in the early 1990's and were launched by Morocco’s largest consortium of private companies, ONA (Omnium Nord African). These supermarkets are very modern and are comparable to ones in the US. They are usually located is relatively isolated areas and thus are visited by high-income consumers who are major buyers of imported food products.

On January 2001, the international supermarket chain, *Auchan,* took control of 49 percent of the local supermarket Chain *Marjane.* As a result, *Auchan* has been more involved in managing *Marjane* stores but also in increased imports of food products through *Auchan* in France. Marjane has plans to open outlets in most cities of more than 300,000 people.

A direct competitor of Marjane Chain is *Aswak Assalam*. These are smaller supermarkets but comparable to *Marjane* stores in their concept as they also carry food and non-food and are considerably larger than other supermarkets in Morocco. This chain opened a supermarket in Rabat in 1998, Marrakech in 2002, and more recently in Kenitra (20 miles north of Rabat). Aswak Assalam does not carry alcoholic beverages.

The wholesale cash and carry independent, *Metro (formerly Makro)*, also started in the early 1990's, and today has 6 stores. It is a subsidiary of the German *Metro* chain. A membership card is required to purchase from these stores that are usually dedicated to large size and bulk sales. Although Metro targets primarily retailers and HRIs, today many individual consumers manage to have an access card and are buying on a regular basis from these stores, which have been offering relatively small bulk packaging. However, over the past two years, there is a clear tendency for *METRO* to offer larger bulk sizes in an effort to concentrate on the wholesale segment. *METRO* occasionally imports food products directly through its headquarter in Europe and sometimes use their own brands.

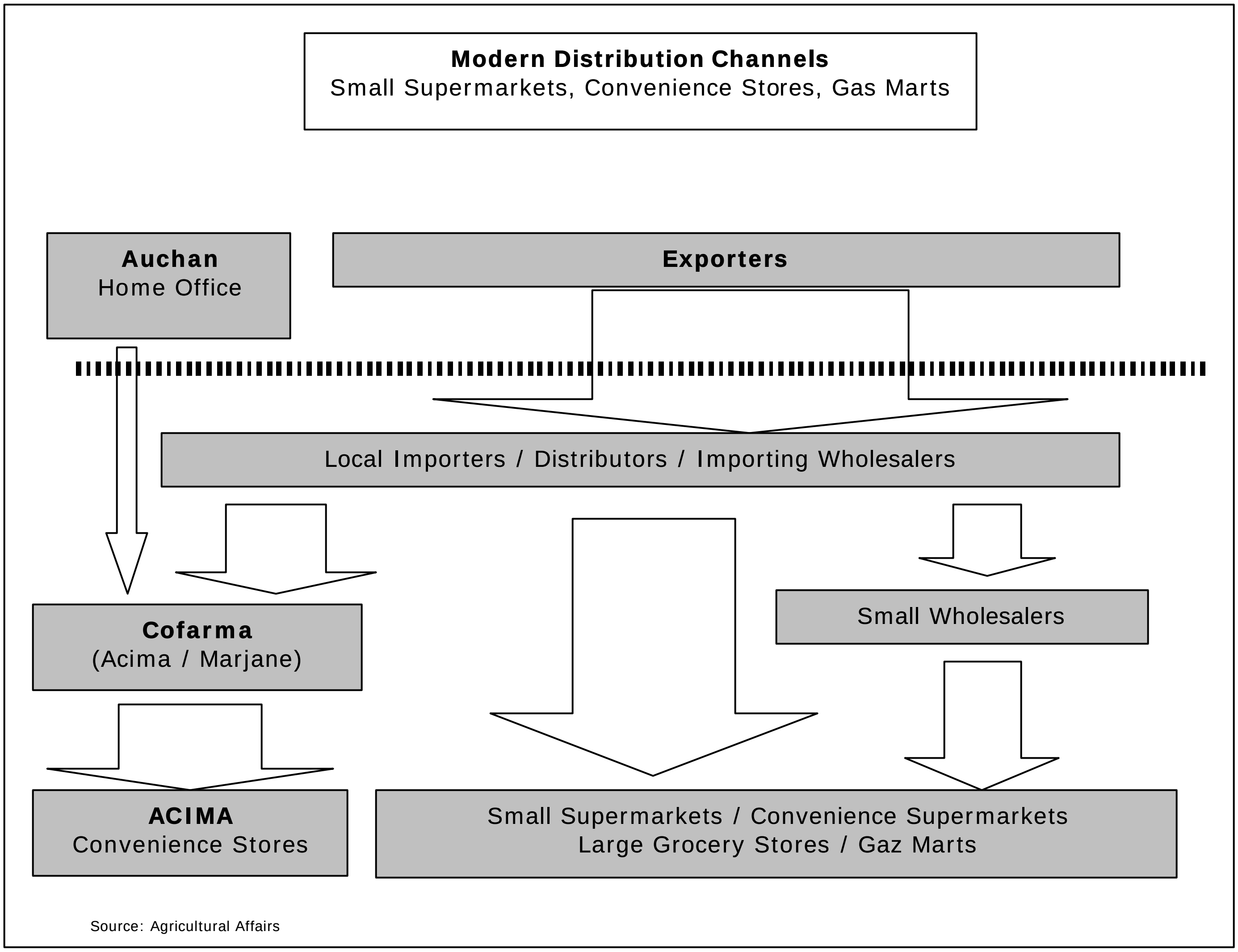
A2. Small Retail Supermarkets, Convenience Stores, Large Grocery Stores

Entry Strategy

Typically, supermarkets in this category don't get involved in direct imports because of the small volume involved. The supermarkets belonging to the largest chains (ACIMA and Hyper) buy through their purchasing boards. Importers will still play a major role to introduce new products to these supermarkets because:

- Many have long experience in this market and have agents that work on a regular basis with these supermarkets and are in a better position to negotiate space and promotional events
- They have their own distribution fleet that can deliver relatively small volumes.
- They carry out promotional activities regularly in these stores.
- These supermarkets work often with a relatively small number of suppliers that carry known brands that sell well.

Market Structure



US exporters will find it very difficult to sell directly to these small supermarkets because of the small volume involved. With the exception of the largest convenience store chain whose food purchases are combined with Marjane (see large supermarket chains section), virtually all these supermarkets buy imported goods directly from importers. The importers have sales agents visit with supermarkets regularly to take orders and convey them to their main offices. Eventually, the importer's trucks and utility cars deliver the imported goods to the supermarkets.

In addition, the small self-service stores may also purchase from local wholesalers if the quantities involved are very small. Both importers and wholesalers provide credits to supermarkets. Typically the importer's agents deliver the imported products to the supermarkets in small vans (panel trucks) or trucks.

Company Profiles

Retailer Name	**Owner-ship**	**Estim. Sales ($Mil.)**	**Nb of Outlets estimated**	**Locations**	**Purchasing Agent type**
Small Supermarket (> 3 registers, >25000 ft^2)	Local	5	25	Casablanca-14, Rabat-6, Agadir-3, etc.	Buys from Importers
Small Supermarket Independent (*ACIMA*) (6 registers, > 25000 ft^2)	51% Local. 49% French Multinational (Auchan)	5	20	Casablanca-7, Rabat-3, Fes-1, Khouribga-1, Marrakech-1, Beni Mellal-1, El Jadida-1, etc.	Buying Board Buys from Importers. Also through Home Office in Europe
Small Supermarket Independent (*Label Vie*) (6 registers, > 12000 ft^2)	Local: Hyper S.A.	6	11	Rabat-5, Casablanca-3, Kenitra-1, Settat-1, Meknes-1	Buying Board buys from Importers Rarely imports directly.
Large grocery stores (Self-service, > 1 register, < 2000 ft^2)	Local	0.2 - 1	180	Casablanca-68, Marrakech-13, Rabat-12, El Agadir 8, etc.	Buys from Importers and Wholesalers

Source: Importers, Agricultural Affairs Office, Rabat

The first 3 groups (small supermarkets) are much smaller than *Marjane* but have a minimum of 25,000 ft^2 and 3 to 6 registers. These stores offer a wide variety of products including non-food items. The largest stores in this category sale also house appliances. Typically these supermarkets include butcher shops, sell frozen products and alcoholic beverages, and have relatively limited parking space. Typically, these supermarkets are located in, or within walking distance to, medium to high-income neighborhoods. These supermarkets are appropriate outlets for imported products since they are frequented by medium-high income consumers and could be used to carry out promotional activities such as tasting, etc.

The most recent chain in this category is *ACIMA* convenience supermarket chain that opened 15 supermarkets over the past 4 years. Thanks to the strong financial capability of the owning companies, it is expected to open 5 new supermarkets every year. In fact, *ACIMA* and the largest supermarket chain in Morocco *(MARJANE)* are part of the same group that belongs to the largest consortium in Morocco *(ONA)* and the French multi-national *Auchan*. These large convenience stores are meant to attract urban consumers from the traditional mom-&-pop shops and open-air market where they would typically go. *ACIMA* also offers a wide range of imported food products including *AUCHAN's* private label and sell a much larger percentage of food products including fresh fruits and vegetables. It is estimated that *ACIMA* supermarkets carry over 5,000 items.

The *Label Vie* independent supermarkets carry some 2000 food items (40 % of the total number of products carried). Currently, they continue to buy through importers but do get involved directly in imports of some specialty products.

The very small supermarkets (self service) would be similar to small grocery stores in the US. They usually sell a much smaller number of items and brands and a smaller percentage of imported products. They have been opening in throughout Morocco including in the small cities.

Gas Marts

This category includes mostly gas-marts of 500 to 3,300 ft^2 with one electronic register and carrying mostly convenience food.

The first store of this category opened in early 1990's. More and more gas distributors are including this service in their best-located (near exit of the major cities) gas stations. This segment is likely to continue to develop in the future. These stores are usually more expensive and carry a large number of imported convenience items, especially snack food, non-alcoholic drinks, and confectionary.

Retailer Name	# Of Outlets (Estimated)	Location	Purchasing Agent
Afriquia *Mini-Brahim* (Managed by Maroshop)	20	Casablanca, Marrakech, Agadir, Meknes, Settat, highways	Buys from Importers & distributors
Mobile Gas Stations *On the Run / Mobile Mart*	3	Casablanca, Rabat, Marrakech	Buys from Importers & distributors
Shell Gas Stations	5	Casablanca, highway	Buys from Importers & distributors
Somepi Gas Stations	10	Highway	Buys from Importers & distributors

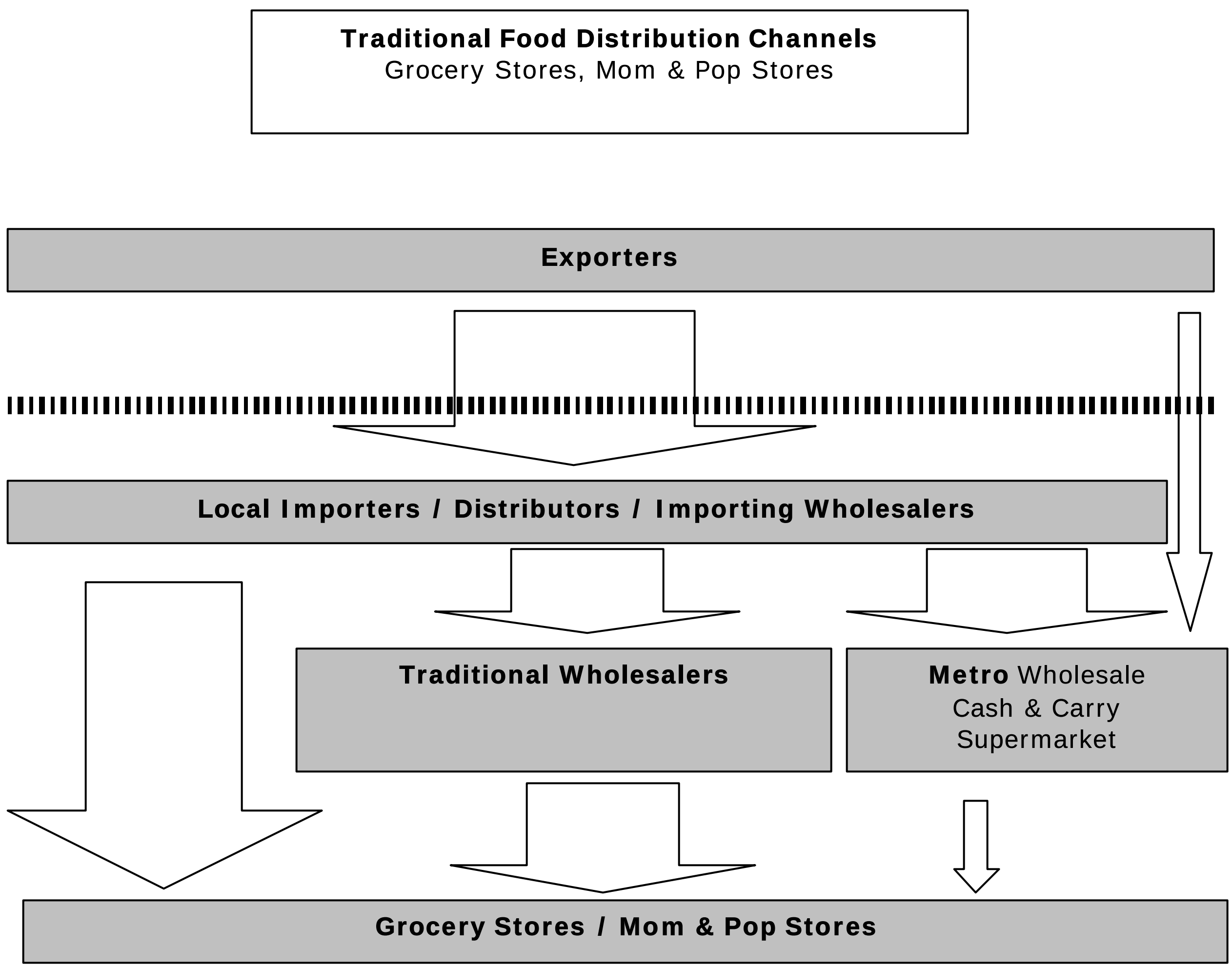
Source: Agricultural Affairs Office

C. Traditional Markets - "Mom & Pop" Small Independent Grocery Stores

Entry Strategy

To reach these small mom & pop stores, imported products will have to go through importers and very likely wholesalers. The quantities involved are too small and imported food products are sold only in larger shops or in shops that are located in medium to high-income neighborhoods.

Market Structure



Source: Agricultural Affairs

Company Profiles

This category includes an estimated 45,000 grocery stores that are not in the above categories. Their size varies from less than 226 ft^2 (estimated 40,000 stores) to 1,000 ft^2 (500 stores). These shops have limited financial resources and are typically managed by one person. The consumer cannot serve himself in this store because the goods are behind a counter. Therefore, the shop owner plays a major role in introducing new brands to the consumer.

These shops are literally packed with a wide range of convenience and relatively low price food and non-food items. Depending on the location and size, some of these stores may have some imported products. Many of these stores in the cities have a refrigerator and a very small number have ice cream freezers. Convenience, proximity and credit to the final consumer are their strongest assets.

SECTION III. COMPETITION

Morocco signed a free trade agreement that is expected to enter into force on January 2006. The agreement will provide U.S. exporters with new export opportunities especially in the medium and long term.

Morocco imports each year about $270 million of high value products and the U.S. share has been less than 1 percent. Imports from the U.S. continue to be limited compared to Europe mainly because of the geographical distance between Morocco and the US, the absence of direct shipping lines, and the historical trade relations between Europe and Morocco. The long shipping time (up to 45 days because transit by Europe is necessary) excludes all short shelf life products from being exported to Morocco. Also, European exporters (particularly Spanish, German, France, and UK) have been very aggressive in penetrating this market.

Locally produced goods continue to account for the largest share of food products sold in local retail outlets. Imported consumer-oriented food products, because of their generally high price (high duties), are found mostly in supermarkets and grocery stores that are located in areas where people with higher income live. It is estimated that only about 10 percent of the population can afford to repeatedly buy imported products.

The local industry produces a relatively limited number of products that in many cases can hardly keep up with the high quality and diversity of imported products put on the supermarket shelves every day.

SECTION IV. BEST PRODUCTS PROSPECTS

A. Products present in the market that have good sales potential:

Canned Fruit and Vegetables
Health and diet products
Confectionary
Dried Fruits and Nuts (Almonds, Pistachios, Dried Prunes and Raisins)
Pop Corn
Non Salted Butter

Breakfast Cereals / Biscuits, crackers / Flour Mixes
Pulses (lentils / Chickpeas / Green beans/ white beans)
Sauces including hot, Asian, BBQ, Salad dressings
Snack Foods, including diet snacks
Pet Food
Wine

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential:

Pistachios / Pecan Seeds	Preferential Access under FTA
Garlic	Preferential Access under FTA
Mushrooms	Preferential Access under FTA
Soy Sauce	Preferential Access under FTA
Spaghetti	Preferential Access under FTA
Poultry Meat	Tariff Rate Quota under FTA

C. Products Not Present because they Face Significant Barriers

SECTION V. POST CONTACT AND FURTHER INFORMATION

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Reports that might be useful to U.S. exports of consumer-oriented food products to Morocco (can be found at website: http://www.fas.usda.gov):

Report	Log Number	Date Issued
Moroccan Food Standards & Regulations	MO5018	July 2005
HRI, Food Service Sector	MO5003	January 2005
Exporter's Guide	MO5020	September 2005
FAIRS, Export Certificates	MO5023	November 2005

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